

**TASK ORDER PROGRESS AND
COST REPORT**

**ACCESS TO HOUSING FINANCE
FOR LOWER INCOME
HOUSEHOLDS**

SOUTH AFRICA

APRIL - JUNE 2001

Prepared for



Prepared for USAID
Housing Finance Resource Programme
U.S. Agency for International Development
Contract No. LAG-1-00-00036-00, Task Order 800

Prepared by



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Task Order No.: LAG-1-00-99-00036-00, Task Order 800

Date of Issuance: September 6, 2000

Task Order Description

In September 2000, the South Africa Mission of the United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement a two-year project to improve access to housing finance for low-income households. Specifically, the project aims to increase access to adequate housing for historically disadvantaged and lower income households in South Africa by providing better access to credit. As part of this effort, UI provides training, technical assistance and financial support to innovative initiatives by national and local governments, parastatal finance institutions, commercial finance institutions and non-governmental organizations (NGOs).

As required by Section F. 12 of the contract, a description of the project's progress during the past quarter follows.

WORK PERFORMED IN THE THIRD QUARTER

Much of the project activity during the second quarter of 2001 related to completing the establishment of the project office in Houghton, including:

STAFF

The permanent Procurement Officer spent much of the quarter learning in preparation for replacing the Interim Officer. In April, the permanent Procurement Officer traveled to UI Washington for a week of training on the topic. Locally, she took Microsoft Excel and Outlook courses and USAID's Partners Management Training. The Interim Officer provided training and advice on USAID and UI procurement regulations and procedures, especially on the conduct of Technical Evaluation Committees.

HOUSING FINANCE NETWORK

The project created and began developing a database of consultants and organizations working on housing finance in South Africa. The database will help the project to foster a network of professionals providing and receiving technical assistance in housing finance and related topics. The database will be maintained and developed throughout the duration of the project.

PROGRAM MARKETING STRATEGY

The Deputy CoP spent considerable time further developing and implementing the Housing Finance Resource Program's Marketing Strategy. As part of this effort, he created a web site that is to be used as

a key marketing tool. The web site (<http://www.hfrp.org.za>) was launched in April 2001. Feedback has been extremely positive. The site has had 173 visitors.

PROCUREMENT PROCEDURES

The project continued to work with UI Washington to develop procedures for receiving, adjudicating and approving requests for funds by potential clients. The procedures are designed to ensure transparency, legitimacy and value in awarding funds. The Interim Procurement Officer has been advising other project staff on U. S. government regulations in this area. The result of these efforts is a Procurement Manual that will guide all funding awards and other procurement activities.

CCN COMPENSATION PLAN

The Contracting Officer of the USAID mission in South Africa approved a Compensation Plan for local consultants. The Plan was developed to simplify, and eliminate where appropriate, procedures for hiring local consultants and organizations that were not included in the original proposal.

PERFORMANCE MEASUREMENT

In consultation with Macro International, a USAID contractor working on performance measurement and monitoring in South Africa, the project developed a framework of indicators to use in fulfilling USAID's Strategic Objective 6.

ACTIVELY RECEIVING, ASSESSING AND APPROVING REQUESTS FOR ASSISTANCE

The project has been approached for funding by numerous potential clients. The Chief of Party and Deputy Chief of Party are working with the most promising potential clients to develop scopes of work, budgets and other preparatory materials. An update of sub-projects is included in Appendix A.

CONTRACTS DRAWN UP

The project has entered into contracts to provide funding for the following sub-projects:

- Dr. Paul Hendler will attend the Wharton School's International Housing Finance Program as the first step in developing a full-time accredited course based in the Public and Development Faculty of the University of the Witwatersrand.
- A consulting firm will study the feasibility of establishing a fund to lessen the actuarial risk of South Africa's housing co-operatives by covering short-term rent payments for households members that have experienced economic hardship (e.g. retrenchment), and for households whose breadwinner has died.
- A consulting firm will develop a financial model and business plan for the Johannesburg City Council to use its revolving fund of R50 million revolving that the Council established to upgrade dilapidated inner city housing.
- Funding an investigation into the relationship between subsidized housing standards in the Free State and the "right to housing", as expressed in the SA Constitution. It is expected that the findings will highlight how the poor are being excluded from accessing subsidized housing.

OTHER ACTIVITIES

Both the CoP and Deputy CoP participated in various housing-related events this quarter. Some of them are listed below:

- USAID climate change workshop (DCoP);
- Department of Housing workshop on an energy star rating system (DCoP);
- Johannesburg Metro Council workshop on sustainable housing policy (DCoP);
- Co-operative Housing Association (COPE) Study Tour for its Board of Directors to meet with the Norwegian Development Agency (NORAD), and Norwegian government housing agencies and housing co-operatives (DCoP);
- Housing Finance Institution's CEO breakfast (CoP);
- Better Buildings Workshop; and
- CEO Strategic Breakfast.

SIGNIFICANT PROBLEMS

Office Equipment

Installation of telephone and fax lines has been a continuing problem for the project. The installation was procured from Telkom months ago, but the project has experienced endless delays in receiving sufficient lines to conduct its business. Callers often receive busy signals, even when no one is using the phones. Obviously, this has not been good for the project's start-up. As of June 14, one of the additional four lines on order was installed.

Procurement

The local market presents some practical challenges for use of the strict procurement regulations of UI and USAID. The project therefore met with USAID to discuss ways of simplifying its procedures. USAID agreed that the level of adherence to procurement regulations should correlate with the value of procurement. UI has agreed to review a proposal for more flexible procurement practices.

WORK PLANNED FOR THE NEXT REPORTING PERIOD

During the next quarter the project will focus on:

- * further implementation of the marketing strategy—the CoP and DCoP intend to travel around South Africa to engage, primarily, alternative lenders on funding possibilities;
- * continuing to refine our Procurement Procedures; and
- * negotiating further contracts.

APPENDIX A

HFRP POTENTIAL/AGREED PROJECTS

30 June 2001

- 1 Cape Town City Council video – HFRP has agreed to fund; SOW complete; waiting for final stop/go from R.B. (R40 000) R.B. and A.V. are still looking at ways to pull this off.
- 2 Wits Housing Masters Programme – Discussions around funding a short housing finance course taking place.
- 2A ABSA/Wharton School Housing Finance Course – Funding Dr. Paul Hendler to attend the Wharton School as part of the team setting up the accredited course. Contract signed (R72 000/\$9 000)
- 3 Rural Finance Facility – Request to analyse lending data. C. Hock was given an application form, however he has recently resigned from the RFF. HFRP is therefore waiting on his next move. Contact with the Chairman of Board has revealed that he is keen to pursue this or other options, but we don't see him actually moving very quickly.
- 4 Gateway Securitisation – Recent visit by S Proxenos did not lead to further work on Fannie Mae at this time.
- 5 Urban Resource Centre – Request to fund a video on shack settlements as part of an assessment on housing delivery has been rejected. HFRP suggested they hold on video and rather become part of a larger assessment of the housing environment to take place later this year.
- 6 HCPT – Discussion with Penny Beck on potential avenues for funding. Penny Beck has been given the application form and will come back to the HFRP with a proposal.
- 7 Cities Alliance – HFRP has agreed to fund. SOW complete, waiting for Biodata and W8 form from Steve Topham (R80 000/\$10 000.00). The piece we are funding is down the road, so we are waiting for him to give us the final budget on the seminar.
- 8 People's Dialogue to sponsor a Workshop on Savings – HFRP has agreed to fund. Ted Baumaan has been slow to move forward on this request.
- 9 Johannesburg Development Authority – Request to fund technical assistance to assist the Banking Council, the City of JHB and Gateway to develop homeloan products a) linked to the rates rebate for use by new homeowners to purchase converted units and b) available to potential homeowners throughout the inner city. Waiting for proposal from the JHB City Council.
- 10 Gateway Property Market Monitor – Request to fund an extension of the Property Market Monitor. A preliminary application form has been completed, however, Gateway has asked that it be placed on hold until it has a clearer idea of the direction they are going. (R200 000/\$25 000) Have told Samson that this is very expensive for us, if we do Fannie Mae, therefore it is back in his court.
- 11 Parliamentary Portfolio Committee – Request to fund a capacity building programme. HFRP has spoken to N. Hangana about restructuring the proposal. She has agreed to the proposal that Dan Smit works with A Tait on the course. Angela has agreed to work with Dan and is revising her budget.
- 12 Mpumalanga Housing Finance Corporation – Request technical assistance to help with restructuring the Corporation from a Section 21 “public business entity” into an effective “public/private joint venture. This will allow them to attract share capital and therefore increase their lending in the low income market. Recently met with the CEO and members of their Board. They are currently focusing and finalising their proposal.
- 13 Gauteng Rental Housing Act – Initial request to the Housing Finance Resource Programme has been rescinded, as they have found internal funding.

- 14 HIV-Aids – Dr. Charlene Lea, HLGC, has agreed to engage with representatives from housing finance organisations and HIV-Aids experts both in S.A. and other countries in order to establish a Task Team. Focus would be on the impact of Aids on housing and lending. C.L. has requested the HFRP’s financial and professional support. HFRP has agreed to provide both.
- 15 Johannesburg Metro Council Better Buildings Programme – request for TA to do financial modelling and develop a business plan for the city’s R50 m Development Fund aimed at turning around the city’s bad buildings. SOW and TEC complete. Contract has been drawn up for preferred tenderer (R800,000/\$100,000)
- 16 Greater Germiston Inner City Housing – Alison Wilson has requested funding for investigating innovative sources of funding and she is now filling out our application.
- 17 Durban Metro Housing Finance Programme – Dan Smit asked for an application. We are awaiting their proposal.
- 18 Servcon – Servcon, banks and NHFC are discussing a way of selling the repossessed bank PIPs. Request is to carry out a feasibility study. SOW has been prepared. Banks are carrying out further discussion on how to cost share.
- 19 COPE Housing Association – Request is to fund a preliminary study to do a feasibility study on developing “hardship” cover. Sole Sourced to Quindiem. Contract has been signed (R35 360/\$4 422,00).
- 20 LRC- research on test case re equity in housing subsidy access as it relates to savings/homeloans. SOW has been submitted to a consultant and a budget has been prepared. Documentation being sent to UI.
- 21 Institute of Housing SA – request for research on: Gearing in Finance: private sector, community and donor participation in implementing South Africa’s National Housing Policy. USAID pre-approved consultant has submitted a proposal and budget (R49 000/\$6 125).

M. R. Tomlinson, CoP, 1 July 2001